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SENSITIVE

E.O. 12958: N/A
TAGS: [ETRD](#) [TU](#)
SUBJECT: DEFINING A "HIGH TECH" QIZ

Sensitive but Unclassified. Please Handle Accordingly.

Ref: (A) MCCORMICK-DEUTSCH 5/25/04 EMAIL
(B) Ankara 2769
(C) Ankara 2158

¶1. (SBU) In recent months, the Turks have sent mixed messages on what they would like to see in U.S. legislation on Qualifying Industrial Zones (QIZ). In an April 13 diplomatic note (ref C), the GOT gave an official and positive response to our proposal to move forward with legislation including exclusions for textiles and other products, while requesting that the legislation drop the "catch-all" clause explicitly allowing the U.S. side to exclude additional sensitive items. However, the Turks have also raised the concept of a "high tech" QIZ in State Minister Tuzmen's April 5 meeting and in followup correspondence with USTR Zoellick (ref B), and again during a May 24 telephone call between MFA U/S Ziyal and U/S Larson (ref A). In the latter conversation, Ziyal undertook to send U/S Larson a paper outlining the "high tech" QIZ idea.

¶2. (SBU) On June 3, Econ Counselor asked Mehmet Gucuk, MFA's Deputy Director General for Bilateral Economic Affairs, where the GOT paper was, noting that the U.S. legislative calendar for 2004 was very tight. Gucuk told us that he did not believe that MFA and the Foreign Trade Undersecretariat would be able to deliver the written clarification, promised by Ziyal, defining desired parameters of a high tech QIZ in the near future. He asked whether, instead, the USG could clarify whether "high tech" QIZ legislation would need to include the sectoral exclusions and catch-all provisions that the USG felt were essential in the current draft. Gucuk suggested that the GOT would prefer "high tech" QIZ legislation if it enabled them to avoid these provisions.

¶3. (SBU) We believe it highly desirable for the Administration to submit QIZ legislation to Congress prior to the POTUS visit to Ankara and Istanbul at the end of June, and have been urging GOT officials to provide us with clarification on the high tech QIZ concept on an urgent basis. We understand that Washington agencies originally presented the QIZ as a vehicle for stimulating high tech trade and investment in Turkey and we do not see any substantive inconsistency between a high tech QIZ and the QIZ with the product exclusions which has been on the table since 2002. It is curious that the GOT, which originally rejected the high tech QIZ concept on the grounds that high tech products are largely subject to low or zero duty in the U.S. trade regime, is now resurrecting this idea. Based on Gucuk's comments, it seems the MFA is searching for a way to proceed that avoids the sectoral exclusions and the catch-all provision.

¶4. (SBU) Action Request: Although the Embassy believes that the onus is clearly on the Turks to define what they mean by a high tech QIZ, we believe it would also be useful to convey Washington's views on this topic, specifically, what the rough outlines of high tech QIZ legislation would look like, and whether such legislation would need to include sectoral exclusions and the catch-all provision.
Edelman